

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY****Financial Statements and Schedules****December 31, 2004 and 2003****With Independent Auditors' Report Thereon**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/22/05

**ERNEST N. MORIAL NEW ORLEANS EXHIBITION HALL AUTHORITY**

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## Postlethwaite & Netterville

A Professional Accounting Corporation  
Associated Offices in Principal Cities of the United States  
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### Independent Auditors' Report

Board of Commissioners  
Ernest N. Morial New Orleans Exhibition Hall Authority:

We have audited the accompanying statements of net assets of Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority) as of December 31, 2004 and 2003, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Authority as of December 31, 2004 and 2003, and the respective changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 14, 2005 on our consideration of Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The Required Supplementary Information as listed in the table of contents is also presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

*Postlethwaite & Netterville*

New Orleans, Louisiana

March 14, 2005

(except for Note 9, as to which the date is March 16, 2005)

**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**(A Corporate and Political Subdivision of the State of Louisiana)**  
**Management's Discussion and Analysis**  
**Years ended December 31, 2004 and 2003**

The Management's Discussion and Analysis of the Ernest N. Morial New Orleans Exhibition Hall Authority's (the Authority) financial performance presents a narrative overview and analysis of the Authority's financial activities for the years ended December 31, 2004 and 2003. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information (where available). Please read it in conjunction with the Authority's financial statements, which follow this section.

## **FINANCIAL HIGHLIGHTS**

The Authority's mission is to plan, finance, construct and manage a convention and exhibition center in the City of New Orleans. As part of this mission, the Authority continued with the expansion of its facilities during 2004. The expansion of the facility has been delayed as a result of litigation over the award of the construction contract. Pursuant to the litigation, the Authority, in early 2005, issued a notice of award to the firm deemed the lowest responsive bidder by the courts. During 2004, the Authority also refinanced a portion of its 1996C series bonds.

The taxes collected by the Authority generated \$41.5 million of revenues for the year ended December 31, 2004. The taxes collected by the Authority generated \$35 million of revenues for the year ended December 31, 2003.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, and other supplementary information.

The financial statements provide both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Authority's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the Authority are included in the Statements of Net Assets.

The Statements of Net Assets report the Authority's net assets as of the end of the year. Net assets, the difference between the Authority's assets and liabilities, are one way to measure the Authority's financial health or position. The increase in the Authority's net assets during 2004 is an indicator of its positive financial health.

## **FINANCIAL ANALYSIS OF THE AUTHORITY**

### **Net Assets**

The Authority's total net assets at December 31, 2004 reached approximately \$403 million, a 4% increase over December 31, 2003 (See Table A-1). Total 2004 assets increased 1.0% to \$936 million, and total liabilities decreased 1.5% to \$533 million. As of December 31, 2003, the Authority's total net assets at approximated \$386 million, a 4.7% increase from the prior year. Total 2003 assets increased 55% to \$927 million, and total liabilities increased 136% to \$541 million (See Table A-1).

**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**(A Corporate and Political Subdivision of the State of Louisiana)**  
**Management's Discussion and Analysis, Continued**  
**Years ended December 31, 2004 and 2003**

**Table A-1**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Statements of Net Assets**  
**(in thousands of dollars)**  
**December 31, 2004 and 2003**

	2004	2003
Current assets	\$ 78,438	\$ 89,091
Restricted assets	395,347	375,986
Deferred charges	7,899	8,383
Capital assets	453,927	453,355
<b>Total assets</b>	<b>\$ 935,611</b>	<b>\$ 926,815</b>
Current liabilities	\$ 25,126	\$ 21,989
Long-term liabilities	507,925	519,017
<b>Total liabilities</b>	<b>533,051</b>	<b>541,006</b>
Net assets:		
Invested in capital assets, net of related debt	234,409	233,067
Restricted	89,880	62,354
Unrestricted	78,271	90,388
<b>Total net assets</b>	<b>402,560</b>	<b>385,809</b>
<b>Total liabilities and net assets</b>	<b>\$ 935,611</b>	<b>\$ 926,815</b>

During 2004, the Authority's restricted assets increased by \$19.4 million in 2004 as a result of tax collections in excess of debt service requirements; the Authority's debt decreased by a net of \$10 million. During 2003, the Authority's restricted assets increased by \$352 million primarily as a result of its issuance of the 2003 bond issue; the Authority's debt increased by a net \$306.5 million. Accrued interest increased by \$5.5 million primarily as a result of the 2003 bond issue.

**Changes in Net Assets**

**Fiscal 2004.** The change in net assets was \$16.8 million for the year ended December 31, 2004. The Authority's operating revenues are comprised primarily of user charges. Operating revenues remained relatively stable with \$27.1 million in 2004 as compared to \$27.5 million in 2003. Operating expenses in 2004 totaled \$31.9 million before depreciation as compared to approximately \$31.5 in 2003.

Non-operating revenues are primarily comprised of dedicated taxes, investment income and interest expense. The dedicated taxes totaled \$41.5 in 2004. Investment income and interest expense, both net of amounts capitalized, totaled \$3.5 million and \$11.3 million, respectively, in 2004. Capital contributions, received from the State of Louisiana, decreased from approximately \$7.4 million to \$0.5 million in 2004.

**Fiscal 2003.** The change in net assets was \$17.2 million for the year ended December 31, 2003. The Authority's total operating revenues totaled \$27.5 million, comprised primarily of user charges. Operating revenues declined from \$30.7 million in 2002 to \$27.5 million in 2003 due to a decline in the number of events during 2003 as compared to 2002. In addition, the events that the Convention Center hosted in 2003 were typically smaller events than those hosted in 2002.

**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**(A Corporate and Political Subdivision of the State of Louisiana)**  
**Management's Discussion and Analysis, Continued**  
**Years ended December 31, 2004 and 2003**

Operating expenses in 2003 totaled \$31.5 million before depreciation as compared to approximately \$33.0 million in 2002. The decrease is a result of reduced event costs (due to fewer and smaller events in 2003), offset by an increase in insurance expenses.

Net assets invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation, reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets. When there are significant unspent related bond proceeds, the portion of the debt attributable to the unspent proceeds is included in the calculation of this net asset.

Non-operating revenues are primarily comprised of dedicated taxes, investment income and interest expense. The dedicated taxes totaled \$35.8 in 2003. Investment income and interest expense, both net of amounts capitalized, totaled \$2.6 million and \$11.9 million, respectively, in 2003. Capital contributions, received from the State of Louisiana, decreased from approximately \$13.6 million to \$7.4 million in 2003.

**Table A-2**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Statements of Revenue, Expenses and Changes in Net Assets**  
**(in thousands of dollars)**  
**Years ended December 31, 2004 and 2003**

	2004	2003
Operating Revenues:		
User fees and other revenues	\$ 23,329	\$ 22,854
Commissions	3,742	4,657
<b>Total operating revenues</b>	<u>27,071</u>	<u>27,511</u>
Operating Expenses:		
Operating expenses	31,901	31,517
Depreciation	12,569	12,709
<b>Total operating expenses</b>	<u>44,470</u>	<u>44,226</u>
Operating loss	(17,399)	(16,715)
Non-operating revenues-net	33,649	26,573
Capital contributions	501	7,364
<b>Change in net assets</b>	<u>16,751</u>	<u>17,222</u>
<b>Net assets, beginning of the year</b>	<u>385,809</u>	<u>368,587</u>
<b>Net assets, end of the year</b>	<u>\$ 402,560</u>	<u>\$ 385,809</u>

Table A-3 summarizes the Authority's operating expenses by function. As explained above, expenses have increased in alignment with the increase in user fees and other revenues.

**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**(A Corporate and Political Subdivision of the State of Louisiana)**  
**Management's Discussion and Analysis, Continued**  
**Years ended December 31, 2004 and 2003**

**Table A-3**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Operating Expenses**  
**(in thousands of dollars)**  
**Years ended December 31, 2004 and 2003**

	2004	2003
General and administrative	\$ 7,973	\$ 8,766
Sales and marketing	932	1,031
Event services	813	752
Building operations	16,305	15,338
Public safety	2,136	1,896
Production services	1,596	1,703
Technology services	2,146	2,031
Depreciation	12,569	12,709
<b>Total operating expenses</b>	<b><u>\$ 44,470</u></b>	<b><u>\$ 44,226</u></b>

**Cash Flows**

The change in cash and cash equivalents, as reflected in Table A-4, from 2003 to 2004 was a result of a \$300 million debt issue in 2003. Investing activities reduced cash in 2004 as a result of purchases of investments.

**Table A-4**  
**Ernest N. Morial New Orleans Exhibition Hall Authority**  
**Statements of Cash Flows**  
**(in thousands of dollars)**  
**Years ended December 31, 2004 and 2003**

	2004	2003
Cash flows from:		
Operations	\$ (4,662)	\$ (4,734)
Noncapital financing	40,452	35,881
Capital and related financing activities	(29,414)	273,554
Investing activities	<u>(31,191)</u>	<u>(4,256)</u>
Net increase (decrease) in cash and cash equivalents	<b><u>\$ (24,815)</u></b>	<b><u>\$ 300,445</u></b>

**Plan Net Assets**

The Authority's total plan net assets of its pension trust fund at December 31, 2004 was approximately \$5.8 million, an 11.5% increase over December 31, 2003. Total assets increased from \$5.2 million to \$5.8 million for the year ended December 31, 2004. The Authority's total plan net assets of its pension trust fund at December 31, 2003 was approximately \$5.2 million, a 19.4% increase over December 31, 2002. Total assets increased from \$4.3 million to \$5.2 million for the year ended December 31, 2003.

**Changes in Plan Net Assets**

Plan net assets for the year ended December 31, 2004 increased by \$575,147 as a result of contributions of \$1 million, investment earnings and other income of \$ 0.1 million, less expense of \$0.6 million. Plan net assets for the year ended December 31, 2003 increased by \$841,525 as a result of contributions of \$1.0 million, investment earnings of \$0.1 million, less expense of \$0.3 million.



**Ernest N. Morial New Orleans Exhibition Hall Authority  
(A Corporate and Political Subdivision of the State of Louisiana)  
Management's Discussion and Analysis, Continued  
Years ended December 31, 2004 and 2003**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2004, the Authority had invested approximately \$454 million in property, buildings and equipment. During 2004, the Authority increased property, buildings and equipment by approximately \$13.6 million. Depreciation in 2004 totaled \$12.6 million, adjusting accumulated depreciation to \$128.1 million as of December 31, 2004.

As of December 31, 2003, the Authority had invested approximately \$453 million in property, buildings and equipment. During 2003, the Authority increased property, buildings and equipment by approximately \$22.7 million. Depreciation in 2003 totaled \$12.7 million, adjusting accumulated depreciation to \$115.7 million as of December 31, 2003.

The construction work in progress as of December 31, 2004 and 2003 is relates primarily to Phase IV.

**Debt Administration**

The Authority continues to make its regularly scheduled payments on its bonds. During 2004, \$101,145,000 in principal payments were made, including the refunding of a substantial portion of the 1996C Series bonds. All bond debt covenants have been met. The Authority issued refunding debt in 2004 in the amount of \$93,935,000. During 2003, \$5,055,000 in principal payments was made. The Authority issued new debt in 2003 in the amount of \$300,470,000 for Phase IV development.

**ECONOMIC FACTORS**

The Convention Center had experienced a decline in operating revenues over the previous two year period. The primary cause was twofold; the economy and the after effects of September 11. The convention industry as a whole is currently feeling the effects of September 11 due to the nature of the industry, i.e., convention bookings historically are several years into the future and for the most part the cancellations resulting from the national crisis were rather minimal. Future bookings had slowed due to both the economy in general and the September 11 incident, putting downward pressure on rates in order to maintain market share. The Authority feels that booking levels are stabilizing.

Furthermore, it is important to note the primary purpose of a convention center. The center is a facility that attracts attendees to conventions and tradeshow who spend dollars in local facilities such as hotels, restaurants, tourist attractions, retail stores, and other such establishments. This spending results in increased tax collections for State and Local Governments. With the exception of the year 2001, the Authority's tax collections from the aforementioned industries continue to demonstrate significant growth. Therefore, even though the operating revenue of the Authority has decreased, the primary purpose of the Authority is still being achieved.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the CFO, Dave Ohlmeyer at (504) 582-3082.

**ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY**

Statements of Net Assets

December 31, 2004 and 2003

Assets	2004	2003
<b>Current assets:</b>		
Cash	\$ 49,631,994	\$ 86,636,686
Investments	25,000,000	-
Accounts receivable, net	1,918,739	970,982
Prepaid expenses and other assets	1,567,859	1,483,138
Interest receivable	319,729	-
<b>Total current assets</b>	<b>78,438,321</b>	<b>89,090,806</b>
<b>Restricted assets:</b>		
Cash	342,319,494	330,129,818
Investments	43,625,406	32,371,031
State of Louisiana receivables	-	6,634,975
Interest receivable	1,048,656	474,586
Taxes receivable	8,353,099	6,375,926
<b>Total restricted assets</b>	<b>395,346,655</b>	<b>375,986,336</b>
Deferred charges - bond issue costs	7,899,220	8,382,504
Property, buildings and equipment, net	453,926,842	453,355,306
<b>Total assets</b>	<b>\$ 935,611,038</b>	<b>\$ 926,814,952</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities (payable from current assets):</b>		
Accounts payable	\$ 1,577,811	\$ 1,930,347
Due to other fund	35,604	26,303
Deferred revenue	4,380,321	2,835,282
Compensated absences, current portion	392,103	477,449
	<b>6,385,839</b>	<b>5,269,381</b>
<b>Current liabilities (payable from restricted assets):</b>		
Accounts payable	544,516	453,322
Contracts and retention payable	164,576	155,608
Deposits due others	38,178	32,785
Current portion of accrued bond interest	11,742,500	10,793,024
Current portion of bonds payable (note 5)	6,250,000	5,285,000
	<b>18,739,770</b>	<b>16,719,739</b>
<b>Total current liabilities</b>	<b>25,125,609</b>	<b>21,989,120</b>
<b>Long-term liabilities:</b>		
Net pension obligation	704,822	585,181
Compensated absences, less current portion	246,163	192,249
Bonds payable, less current portion, net	506,245,231	517,200,847
Deferred revenue, less current portion	729,174	1,038,722
<b>Total long-term liabilities</b>	<b>507,925,390</b>	<b>519,016,999</b>
<b>Total liabilities</b>	<b>533,050,999</b>	<b>541,006,119</b>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	234,408,814	233,067,289
Restricted	89,879,681	62,353,767
Unrestricted	78,271,544	90,387,777
<b>Total net assets</b>	<b>402,560,039</b>	<b>385,808,833</b>
Commitments and contingencies	-	-
<b>Total liabilities and net assets</b>	<b>\$ 935,611,038</b>	<b>\$ 926,814,952</b>

See accompanying notes to financial statements.

**ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY**

Statements of Revenues, Expenses and Changes in Net Assets

For the years ended December 31, 2004 and 2003

	2004	2003
Operating revenues:		
User fees	\$ 22,017,993	\$ 21,203,712
Commissions	3,741,860	4,656,890
Equipment use fee	500,000	500,000
Other:		
Rentals	261,270	393,118
Miscellaneous	549,648	757,681
	<u>27,070,771</u>	<u>27,511,401</u>
Total operating revenues		
Operating expenses:		
General and administrative	7,973,176	8,766,129
Sales and marketing	932,520	1,031,340
Event services	813,110	752,166
Building operations	16,305,680	15,337,499
Public safety	2,135,689	1,895,706
Production services	1,595,108	1,703,169
Technology services	2,146,195	2,030,954
Depreciation	12,568,957	12,709,066
	<u>44,470,435</u>	<u>44,226,029</u>
Total operating expenses		
Loss from operations	<u>(17,399,664)</u>	<u>(16,714,628)</u>
Nonoperating revenues (expenses):		
Tax revenues (note 6)	41,502,571	35,826,470
Investment income	3,452,695	2,640,478
Interest expense	<u>(11,306,067)</u>	<u>(11,894,291)</u>
Total nonoperating revenues (expenses)	<u>33,649,199</u>	<u>26,572,657</u>
Income before capital contributions	16,249,535	9,858,029
Capital contributions	<u>501,671</u>	<u>7,363,874</u>
Increase in net assets	16,751,206	17,221,903
Net assets:		
Balance, beginning of year	385,808,833	368,586,930
Balance, end of year	<u>\$ 402,560,039</u>	<u>\$ 385,808,833</u>

See accompanying notes to financial statements.

**ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY**

Statements of Cash Flows

For the years ended December 31, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Cash received from user fees	\$ 22,305,727	\$ 21,149,843
Cash received from other sources	5,052,779	6,107,689
Cash paid to employees and for related expenses	(17,245,883)	(17,731,038)
Cash paid to suppliers	(14,774,602)	(14,260,796)
Net cash used in operating activities	<u>(4,661,979)</u>	<u>(4,734,302)</u>
Cash flows from noncapital financing activities:		
Cash received from taxes	40,452,170	35,880,827
Net cash provided by noncapital financing activities	<u>40,452,170</u>	<u>35,880,827</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,699,553)	(18,352,171)
Capital revenues from state grants	6,209,872	2,078,109
Interest paid	(24,640,135)	(11,597,757)
Principal payment of bonds	(101,145,000)	(5,055,000)
Bond issuance costs	(1,074,677)	(4,908,772)
Proceeds from bond sale	93,935,000	311,389,370
Net cash provided by (used in) capital and related financing activities	<u>(29,414,493)</u>	<u>273,553,779</u>
Cash flows from investing activities:		
Purchases of investment securities	(36,254,375)	(8,649,163)
Interest payments received	5,063,661	4,393,549
Net cash used in investing activities	<u>(31,190,714)</u>	<u>(4,255,614)</u>
Net increase (decrease) in cash and cash equivalents	(24,815,016)	300,444,690
Cash and cash equivalents at beginning of year	416,766,504	116,321,814
Cash and cash equivalents at end of year (note 2)	<u>\$ 391,951,488</u>	<u>\$ 416,766,504</u>
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ (17,399,664)	(16,714,628)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	12,568,957	12,709,066
Loss on disposal of assets	115,183	-
(Increase) decrease in accounts receivable	(947,757)	609,855
Increase in prepaid and other assets	(84,721)	(490,375)
Decrease in accounts payable and accrued expenses	(261,340)	(227,002)
Increase (decrease) in deferred revenue and other liabilities, net	1,347,363	(621,218)
Net cash used in operating activities	<u>\$ (4,661,979)</u>	<u>\$ (4,734,302)</u>

See accompanying notes to financial statements.

**ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY**

Statements of Plan Net Assets

December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Cash	\$ 2,830,227	\$ 1,973,745
Receivables		
Investment income	27,153	12,132
Due from other fund	35,604	26,303
Investments	2,860,824	2,837,743
Cash surrender value of life-insurance	<u>-</u>	<u>328,738</u>
Total assets	<u>\$ 5,753,808</u>	<u>\$ 5,178,661</u>
<b>Net Assets</b>		
Plan net assets available for pension benefits	<u>\$ 5,753,808</u>	<u>\$ 5,178,661</u>

See accompanying notes to financial statements.

**ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY**

Statements of Changes in Plan Net Assets

For the years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Additions:		
Employer contributions	\$ <u>1,023,251</u>	\$ <u>1,022,601</u>
Total contributions	<u>1,023,251</u>	<u>1,022,601</u>
Investment income:		
Interest income	93,054	92,555
Other income	<u>50,727</u>	<u>4,883</u>
Investment income	<u>143,781</u>	<u>97,438</u>
Total additions	<u>1,167,032</u>	<u>1,120,039</u>
Deductions:		
Benefits	<u>591,885</u>	<u>278,514</u>
Total deductions	<u>591,885</u>	<u>278,514</u>
Change in plan net assets	575,147	841,525
Plan net assets:		
Balance, beginning of year	<u>5,178,661</u>	<u>4,337,136</u>
Balance, end of year	\$ <u><u>5,753,808</u></u>	\$ <u><u>5,178,661</u></u>

See accompanying notes to financial statements.

**ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY**

Notes to Financial Statements

December 31, 2004 and 2003

**(1) Summary of Significant Accounting Policies**

**(a) Organization and Reporting Entity**

The Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority) is an independent political subdivision of the State of Louisiana created in 1978 by Act 305 (subsequently amended) of the Louisiana Legislature to plan, finance, construct and manage a convention and exhibition center in the City of New Orleans. The operations of the convention and exhibition centers are through the New Orleans Public Facility Management, Inc. (NOPFM), a separately incorporated organization, doing business as the Ernest N. Morial Convention Center – New Orleans (ENMCC-NO). Under the present management agreement between the Authority and NOPFM, the Authority reimburses NOPFM for costs of operating the convention and exhibition center, and NOPFM will neither own assets nor retain revenues. The NOPFM is a blended component unit of the Authority.

The Authority is governed by a twelve member Board of Commissioners composed of nine (9) appointees of Governor of Louisiana and three (3) appointees of the Mayor of New Orleans. The Board of Commissioners establishes policies, approves the budget, controls appropriations and appoints an Executive Vice President responsible for administering all Authority operations and activities.

The Authority is a stand-alone entity as defined by GASB 14, *The Financial Reporting Entity*. The Authority is neither fiscally dependent on any other local government, nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the Authority.

**(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Proprietary Fund Type**

The proprietary fund is used to account for the Authority's ongoing operations and activities which are similar to those often found in the private sector. The proprietary fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. Net assets are segregated into amounts invested in capital assets (net of related debt), restricted for debt service, restricted for capital projects, and unrestricted. The Board's restricted assets are expendable for their purposes. The Authority utilizes available restricted assets before utilizing unrestricted assets. The operating statements present increases (revenues) and decreases (expenses) in net assets.

The Authority maintains one proprietary fund type – the enterprise fund. The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance.

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**Fiduciary Fund Type**

The fiduciary fund is used to account for assets held by the Authority in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Authority maintains one fiduciary fund type - the pension trust fund. The pension trust fund uses the flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included in the statement of plan net assets. The pension trust fund is used to account for the activity of the Authority's employee retirement plan. The pension trust fund is presented in the fund financial statements.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governments. The Authority's principal operating revenues are the rental and service fees for use of the facility and taxes. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority applies all applicable FASB pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

Employer contributions to the pension plan are recognized when due and the employer has made a commitment to provide the contributions. Benefits are recognized when due and are payable in accordance with the terms of the plan.

**(c) *Restricted Assets***

Certain assets, consisting of cash, investments and receivables, are segregated and classified as restricted assets, which may not be used except in accordance with state regulations or contractual terms, under certain conditions. Restricted assets are held as follows:

- Debt service reserve was established by the Authority's bond indentures. The required reserve is the lesser of (i) the original principal issued of \$542,470,000 (\$52,470,000), (ii) the maximum of principal and interest maturing and due in next fiscal year, and (iii) 125% of average annual principal and interest requirement, after any reductions.
- Debt service, funded by the special revenue taxes, was established by the Authority's bond indentures. The required accumulated debt service is equal to the sum of (i) interest accruing during the period of bonds outstanding and (ii) portion of principal accruing until next preceding principal payment date.
- Capital projects, funded by the proceeds of bond issues, restricted for the building expansion and improvements.
- Rouse Lease Clearing and Venture Lease Escrows, which include rental income received by the Authority on behalf of and remitted to the City of New Orleans for property owned by the City. In addition to the amounts collected on behalf of the City of New Orleans, the Authority also collects certain funds related to a third-party cell site. The amounts payable are included in deposits due to others in the balance sheet.



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**(d) Investments**

Investments consist of time deposits, money market mutual funds and repurchase agreements and are stated at fair value. Fair value is based on quoted market prices, as applicable; if quoted prices are not available, fair value is estimated based on similar securities.

**(e) Property, Buildings and Equipment**

Property, buildings and equipment are carried at historical cost. Depreciation and amortization are charged to expense over the estimated useful lives of the assets and is determined using the straight-line method. The estimated useful lives used in computing depreciation and amortization are as follows:

Buildings	40 years
Building improvements	20 years
Equipment, furniture and fixtures	5-12 years

The Authority capitalizes moveable equipment with a value of \$5,000 or greater and most electronic equipment of \$500 or greater. The cost of additions includes contracted work, direct labor, materials and allocable cost. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Interest is capitalized on fixed assets acquired and/or constructed with tax exempt debt. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in revenue for the period. The cost of maintenance and repairs is charged to operations as incurred and significant renewals and betterments are capitalized. Deductions are made for retirements resulting from renewals or betterments.

**(f) Taxes**

The Authority receives dedicated taxes as follows:

**Hotel Occupancy Tax**

The Authority's bonds are payable from revenues derived by the Authority from the Hotel Occupancy Tax authorized by Act No. 305 of the Regular Session of the Legislature of Louisiana for the year 1978, as amended (the Act) and earnings on certain funds and accounts of the Authority. The Hotel Occupancy Tax is levied and collected on the occupancy of hotel and motel rooms within the Parish of Orleans. Initially established as a 1% tax, the rate (with approval by the Legislature and public referendum) was increased to 2%, effective October 1, 1980. This tax is dedicated to the Authority's bonds and those taxes are presently being collected within the City and other locations on behalf of the Authority by the Louisiana Department of Revenue and Taxation (the Department). Effective July 1, 2002, an additional 1% was imposed for the purpose of providing funds for the Phase IV Convention Center Expansion Project. These additional taxes are being used to fund initial capital expenditures being incurred and to retire the bonds for Phase IV construction.

There are other taxes on the occupancy of hotel and motel rooms in Orleans Parish. Those taxes are not available for the payment of debt service on the Authority's Bonds.

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**Hotel Occupancy/Food and Beverage Tax**

The following summarizes the 1988 hotel occupancy and food and beverage taxes:

**1988 Hotel Occupancy Tax:**

Pursuant to Act 390 of the regular session of the Legislature of Louisiana for 1987, the Authority is empowered to levy and collect a Hotel Occupancy Tax (the "1988 Hotel Occupancy Tax") and a Food and Beverage Tax (collectively referred to as the "Tax"), to secure bonds to be issued to finance a portion of the costs of the ENMCC-NO expansion. The 1988 Hotel Occupancy Tax is separate and distinct from the 1978 Hotel Occupancy Tax levied by the Authority and pledged to secure the Series 1983 Bonds. The Tax has additionally been approved by the City Council and was imposed pursuant to a special election held on November 21, 1987.

On February 24, 1988, the Authority adopted a resolution authorizing the actual levy and collection of the Tax to be effective April 1, 1988. The Tax which secures the 1996 Bond Series is presently being collected within the City and other locations on behalf of the Authority pursuant to a Contract of Agency for Collection of Taxes with the Louisiana Department of Revenue and Taxation (the Department). The Department is required to remit tax collections to the Authority, initially net of the \$200,000 annual collections fee retained by the Department at the rate of 3% of monthly collection until the total amount is attained. The collection fee is subject to annual renegotiation.

The 1988 Hotel Occupancy Tax is levied in the amount of fifty cents (\$0.50) per occupied hotel room per night for hotels containing ten (10) to two hundred ninety-nine (299) rooms, one dollar (\$1.00) per occupied hotel room per night for hotels containing three hundred (300) to nine hundred ninety-nine (999) guest rooms and two dollars (\$2.00) per occupied hotel room for hotels containing one thousand (1,000) or more guest rooms. The 1988 Hotel Occupancy Tax will automatically terminate upon payment in full of all bonds or other obligations of the Authority payable in whole or in part from or secured by the 1988 Hotel Occupancy Tax.

**Food and Beverage Tax:**

The Food and Beverage Tax is a tax in the amount of one-half of one percent (0.5%) imposed on the gross receipts from the sale of food and beverages in any food service establishment. The tax is applicable to all such establishments located within the City or in any airport or air transportation facility owned and operated by the City, excluding food service establishments which have annual gross receipts from food and beverage sales of less than \$200,000 from the operation of all such establishments during the calendar year prior to the year in which such tax is assessed. The tax is not applicable to meals furnished to the staff and students of educational institutions; the staff and patients of hospitals; the staff, inmates and patients of mental institutions and the boarders of rooming houses. The Food and Beverage Tax will automatically terminate upon payment in full of all Bonds or other obligations of the Authority payable in whole or in part from or secured by the Food and Beverage Tax.

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Effective July 1, 2002, an additional  $\frac{1}{4}$  of 1% on gross receipts from food and beverage sales was imposed for the purpose of providing funds for the Phase IV Convention Center Expansion Project. These additional taxes are being used to fund initial capital expenditures being incurred and to retire the bonds for Phase IV construction.

**Service Contractor and Tour Tax:**

Pursuant to Act 42 of the regular session of the Legislature of Louisiana for 1994 which amended Act 305 of 1978, the Authority is empowered to levy and impose a 2% tax on the furnishing of goods and services in conjunction with trade shows, conventions, and exhibitions located within Orleans Parish. The effective date of the service contractor tax was May 1, 1995. "Goods and services" means merchandise, wares, materials, labor, assistance or benefit provided in connection with the installation and dismantling of exhibits, displays and booths, decorations, electrical supplies, materials handling, drayage, flowers and floral decorations, computers, audio and visual equipment, bands and orchestra, lighting trusses, rigging and associated equipment, furniture, carpets, signs, props, floats, business machines, plumbing, telephones, photography, utilities, balloons, scaffolding, forklifts, high lifts, security, information retrieval system, and any other services or items associated with the above. Specifically, excluded are foods and beverages and the shuttle services of attendees to and from the location of the convention and trade show.

In addition to the above, Authority is also empowered to levy and impose a one dollar (\$1.00) tax on the sale of tickets sold in the Parish of Orleans for per capita sight seeing tours in the Parish of Orleans, and for tours a portion of which includes sight-seeing in the Parish of Orleans. The effective date of the tour tax was May 1, 1995.

This tax is dedicated to the Authority's Bond Series (see Note 5) and those taxes are presently being collected within the City and other locations on behalf of the Authority by the Louisiana Department of Revenue and Taxation (the Department).

**RTA Tax:**

In April 2002, the Authority entered into a Cooperative Endeavor Agreement (CEA) with the Regional Transit Authority (RTA) and the New Orleans Tourism Marketing Corporation (NOTMC), creating a transit fund to be separately maintained and funded with taxes collected by the RTA based on a 1% sales tax to be collected from hotels and motels in the City of New Orleans and equal to fifty percent of the annual fee paid by RTA to NOTMC.

In exchange for the funds received, the Authority agreed to utilize the funds for financing or funding of actual physical construction costs (labor and materials) of new capital facilities and/or capital improvements of the Convention Center in connection with the Phase IV Expansion Project, particularly including, but not limited to facilities and/or improvements that address and recognize the need to access to the RTA's Riverfront Streetcar and Shuttle – bus services and the transportation needs of the Convention Center attendees and the public, consistent with the needs of the Authority and the legal requirements for the use and/or expenditure of the revenues derived from the RTA tax. In addition, moneys in the transit fund may be used to pay debt services on any bonds issued for construction financing of the Phase IV Expansion Project.

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**(g) Capital Contributions**

Contributions from State appropriations are made available to the Authority for capital improvements and are recognized when the expenses have been incurred and approval of the appropriation has been received. These appropriations are included in capital contributions in the statement of revenue, expenses and changes in net assets.

**(h) Compensated Absences**

The Authority is obligated to reimburse NOPFM for vacation when earned by its employees, either in accordance with general personnel policy or under certain union agreements. The total liability for accrued vacation at December 31, 2004 and 2003 was \$638,266 and \$669,698, respectively, of which \$246,163 and \$192,249 is the long-term portion. Vacation of full time employees in regular status is earned as follows:

- 6 months to 5 years of continuous service – 10 days
- 6 to 10 years of continuous service – 15 days
- over 10 years of continuous service – 20 days

The maximum annual leave cannot exceed more than the amount earned in a two year period during regular status of employment.

**(i) Cash Flows**

For the purposes of the statements of cash flows, cash and cash equivalents include investments with a maturity of three months or less.

**(j) Pension**

The Authority funds the accrued pension cost for its defined benefit pension plan which covers substantially all employees. Annual costs are actuarially computed using the collective aggregate cost method.

**(k) Bond Issuance Costs and Refundings**

Costs related to issuing bonds are capitalized and amortized over the life of the bonds. Gains and losses associated with refundings and advance refundings are being deferred and amortized based upon the methods used to approximate the interest method over the life of the new bonds or the remaining term on any refunded bond, whichever is shorter.

**(l) Risk Management**

The Authority provides for losses resulting from health insurance claims. The Authority is commercially insured for other significant risks (e.g., general liability, workers' compensation, building, etc.).

**(m) Deferred Revenue**

Revenue collected for events in future years is deferred.

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**(n) Use of Estimates**

Management of the Authority has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

**(o) Reclassifications**

Certain amounts in the 2003 financial statement have been reclassified to conform to the 2004 presentation.

**(2) Cash and Investments**

The Authority's cash and investments consisted of the following as of December 31, 2004:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b><u>Enterprise Fund:</u></b>			
Cash:			
Unrestricted	\$ 49,631,994	-	49,631,994
Board designated for debt service or future expansion	-	21,402,510	21,402,510
Restricted for deposits due others	-	38,178	38,178
Restricted for debt service	-	27,192,510	27,192,510
Restricted for capital projects	-	293,686,296	293,686,296
	<u>49,631,994</u>	<u>342,319,494</u>	<u>391,951,488</u>
Investments, at fair value:			
Repurchase agreements	-	12,101,250	12,101,250
Mutual Funds	-	31,524,156	31,524,156
Certificates of deposit	25,000,000	-	25,000,000
	<u>25,000,000</u>	<u>43,625,406</u>	<u>68,625,406</u>
	<u>\$ 74,631,994</u>	<u>385,944,900</u>	<u>460,576,894</u>
<b><u>Pension Trust Fund</u></b>			
Cash	\$ -	2,830,227	2,830,227
Investments, at fair value:			
Certificates of deposit	-	2,860,824	2,860,824
	<u>\$ -</u>	<u>5,691,051</u>	<u>5,691,051</u>

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The Authority's cash and investments consisted of the following as of December 31, 2003:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>Enterprise Fund:</u>			
Cash:			
Unrestricted	\$ 86,636,686		86,636,686
Board designated for debt service or future expansion	-	10,428,376	10,428,376
Restricted for deposits due others	-	32,785	32,785
Restricted for debt service	-	23,496,872	23,496,872
Restricted for capital projects	-	296,171,785	296,171,785
	<u>86,636,686</u>	<u>330,129,818</u>	<u>416,766,504</u>
Investments, at fair value:			
Restricted for debt service:			
Repurchase agreements	-	16,685,360	16,685,360
Mutual Funds	-	15,685,671	15,685,671
	<u>-</u>	<u>32,371,031</u>	<u>32,371,031</u>
	<u>\$ 86,636,686</u>	<u>362,500,849</u>	<u>449,137,535</u>
<u>Pension Trust Fund</u>			
Cash	\$ -	1,973,745	1,973,745
Investments, at fair value:			
Certificates of deposit	-	2,837,743	2,837,743
	<u>\$ -</u>	<u>4,811,488</u>	<u>4,811,488</u>

Actual cash in banks and certificates of deposit as of December 31, 2004 and 2003, for restricted and unrestricted bank accounts, before outstanding checks and reconciling items, was \$395,853,765 and \$399,101,448, respectively. Of the total bank balances at December 31, 2004 and 2003, all amounts were covered by federal depository insurance (\$400,000 and \$300,000, respectively) or by collateral held in the Authority's name by its agent of (\$413,924,374 and \$438,540,507, respectively). As of December 31, 2004 and 2003, the Authority had mutual funds and repurchase agreements totaling \$43,625,406 and \$32,371,031, respectively, which are uncategorized under GASB.

Statutes authorize the Authority to invest in direct United States Treasury obligations; bonds, debentures, notes or other indebtedness issued or guaranteed by U.S. Government instrumentalities which are federally sponsored or federal agencies that are backed by the full faith and credit of the United States; short-term repurchase agreements; and time certificates of deposit at financial institutions, state banks and national banks having their principal offices in Louisiana.

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**(3) Accounts Receivable**

Accounts receivable consist of the following as of December 31

	2004	2003
Customers	\$ 1,856,887	897,745
Other	79,618	91,547
	<u>1,936,505</u>	<u>989,292</u>
Less allowance for uncollectible amounts	<u>(17,766)</u>	<u>(18,310)</u>
	<u>\$ 1,918,739</u>	<u>970,982</u>

Receivables from customers represent amounts due in connection with the use of facilities.

**(4) Property, Buildings and Equipment**

A summary of changes in fixed assets follows:

	January 1, 2004	Additions	Deletions	December 31, 2004
Land, non depreciable	\$ 76,575,515	-	-	76,575,515
Building/building improvements	441,341,871	541,136	(176,242)	441,706,765
Equipment	14,430,574	409,958	(137,141)	14,703,391
Surface parking	6,506,709	-	-	6,506,709
Software	599,987	106,965	-	706,952
Art/exhibits, non depreciable	203,000	-	-	203,000
Construction in progress	29,433,657	12,589,100	(391,483)	41,631,274
	<u>569,091,313</u>	<u>13,647,159</u>	<u>(704,866)</u>	<u>582,033,606</u>
Accumulated depreciation and amortization	<u>115,736,007</u>	<u>12,568,957</u>	<u>(198,200)</u>	<u>128,106,764</u>
	<u>\$ 453,355,306</u>			<u>453,926,842</u>

  

	January 1, 2003	Additions	Deletions	December 31, 2003
Land, non depreciable	\$ 70,050,515	6,525,000	-	76,575,515
Building/building improvements	440,334,222	1,048,408	(40,759)	441,341,871
Equipment	14,151,167	379,096	(99,689)	14,430,574
Surface parking	6,506,709	-	-	6,506,709
Software	490,777	109,210	-	599,987
Art/exhibits, non depreciable	178,000	25,000	-	203,000
Construction in progress	14,842,964	14,590,693	-	29,433,657
	<u>546,554,354</u>	<u>22,677,407</u>	<u>(140,448)</u>	<u>569,091,313</u>
Accumulated depreciation and amortization	<u>103,140,929</u>	<u>12,709,066</u>	<u>(113,988)</u>	<u>115,736,007</u>
	<u>\$ 443,413,425</u>			<u>453,355,306</u>

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During 2004, interest expense (\$15,877,040) net of investment income (\$5,320,916) totaling \$10,556,124 was capitalized for Phase IV construction. During 2003, interest expense (\$5,593,103) net of investment income (\$1,683,024) totaling \$3,910,079 was capitalized for Phase IV construction. Construction in progress as of 2004 and 2003 relates to Phase IV.

**(5) Long-term Obligations**

The following summarizes the changes in the Authority's long-term obligations for the year ended December 31, 2004:

	January 1, 2004	Additions	Deletions	December 31, 2004	Due Within One Year	Over One Year
Bonds payable	\$ 513,375,000	93,935,000	(101,145,000)	506,165,000	6,250,000	499,915,000
Net pension obligation	585,181	119,641	-	704,822	-	704,822
Compensated absences	669,698	-	(31,432)	638,266	392,103	246,163
Deferred revenue - User Fee	713,379	-	(200,000)	513,379	200,000	313,379
	<u>\$ 515,343,258</u>	<u>94,054,641</u>	<u>(101,376,432)</u>	<u>508,021,467</u>	<u>6,842,103</u>	<u>501,179,364</u>

The following summarizes the changes in the Authority's long-term obligations for the year ended December 31, 2003:

	January 1, 2003	Additions	Deletions	December 31, 2003	Due Within One Year	Over One Year
Bonds payable	\$ 217,960,000	300,470,000	(5,055,000)	513,375,000	5,285,000	508,090,000
Net pension obligation	420,338	1,161,141	(996,298)	585,181	-	585,181
Compensated absences	593,110	627,587	(550,999)	669,698	477,449	192,249
Deferred revenue - User Fee	913,379	-	(200,000)	713,379	200,000	513,379
	<u>\$ 219,886,827</u>	<u>302,258,728</u>	<u>(6,802,297)</u>	<u>515,343,258</u>	<u>5,962,449</u>	<u>509,380,809</u>



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December 31, 2004 and 2003

**Bonds Payable**

Long-term debt activity for the year ended December 31, 2004 is as follows:

Series		January 1, 2004	Additions	Deletions	December 31, 2004
1996A	\$	33,340,000	-	(3,515,000)	29,825,000
1996C		122,835,000	-	(96,320,000)	26,515,000
1998		22,500,000	-	-	22,500,000
2000		34,230,000	-	(1,310,000)	32,920,000
2003		300,470,000	-	-	300,470,000
2004		-	93,935,000	-	93,935,000
	\$	<u>513,375,000</u>	<u>93,935,000</u>	<u>(101,145,000)</u>	<u>506,165,000</u>

Long-term debt activity for the year ended December 31, 2003 is as follows:

Series		January 1, 2003	Additions	Deletions	December 31, 2003
1996A	\$	36,705,000	-	(3,365,000)	33,340,000
1996C		123,275,000	-	(440,000)	122,835,000
1998		22,500,000	-	-	22,500,000
2000		35,480,000		(1,250,000)	34,230,000
2003		-	300,470,000	-	300,470,000
	\$	<u>217,960,000</u>	<u>300,470,000</u>	<u>(5,055,000)</u>	<u>513,375,000</u>

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The Authority's bond issues outstanding as of December 31 were as follows:

	<u>2004</u>	<u>2003</u>
1996A Series, Special Tax Bonds, interest rates between 4.6% and 5.25%, due in annual principal debt service requirements ranging from \$3,515,000 to \$4,915,000, final payment due July 2011	\$ 29,825,000	33,340,000
1996C Series, Special Tax Bonds, interest rates between 4.6% and 5.6%, due in annual principal debt service requirements ranging from \$460,000 to \$2,825,000, final payment due July 2027; partially refunded in 2004 by 2004 Series	26,515,000	122,835,000
1998 Series, Special Tax Bonds, interest rates between 3.9% and 5.0%, due in annual principal debt service requirements ranging from \$10,975,000 to \$11,525,000, final payment due July 2027	22,500,000	22,500,000
2000 Series, Special Tax Bonds, interest rates between 4.6% and 6.5%, due in annual principal debt service requirements ranging from \$1,310,000 to \$2,970,000, final payment due July 2020	32,920,000	34,230,000
2003 Series, Senior Subordinate Special Tax Bonds, interest rates between 2.0% and 5.25%, due in annual principal debt service requirements ranging from \$600,000 to \$20,000,000, final payment due July 2033; first principal payment is July 15, 2033	300,470,000	300,470,000
2004 Series, Refunding Bonds, interest rates between 2.0% and 5.0%, due in annual principal debt service requirements ranging from \$115,000 to \$9,165,000, final payment due July 2025; first principal payment is July 15, 2005	93,935,000	-
	<u>506,165,000</u>	<u>513,375,000</u>
Plus unamortized net premium and deferred loss on bond refundings	6,330,231	9,110,847
Less current maturities	<u>6,250,000</u>	<u>5,285,000</u>
Long-term debt less current maturities	\$ <u>506,245,231</u>	<u>517,200,847</u>

The principal and interest on the Authority's bonds are payable from the proceeds of the levy and collection of dedicated taxes as described in Note 1. The Series 1996, 1998, 2000, 2003 and 2004 Bonds are solely the obligation of the Authority and not of the State of Louisiana or any other agency or political subdivision thereof.

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During 2004, the Authority partially refunded the 1996C Series. In April 2004, the Authority issued \$93,935,000 in tax revenue bonds with a final maturity of July 15, 2025. The bond proceeds less issuance costs were used to defease \$93,935,000 of the 1996C Series bonds. By refunding these 1996C series bonds, the Authority estimated \$14.8 million in savings related to future interest and principal payments; the Authority estimated the economic gain to approximate \$4.2 million.

The Authority also has defeased bonds which have an outstanding balance of \$125,010,000 as of December 31, 2004.

The remaining debt service on the Authority's bonds is as follows:

Principal	Bond Series						Total Bonds Payable
	1996A	1996C	1998	2000	2003	2004	
2005	\$ 3,675,000	\$ 485,000	\$ -	\$ 1,375,000	\$ 600,000	\$ 115,000	\$ 6,250,000
2006	3,850,000	505,000	-	1,440,000	2,400,000	120,000	8,315,000
2007	4,035,000	145,000	-	1,515,000	4,425,000	500,000	10,620,000
2008	4,235,000	150,000	-	1,590,000	4,875,000	515,000	11,365,000
2009	4,445,000	160,000	-	1,670,000	5,105,000	525,000	11,905,000
2010-2014	9,585,000	5,360,000	-	9,715,000	29,480,000	14,630,000	68,770,000
2015-2019	-	8,060,000	-	12,645,000	37,800,000	29,640,000	88,145,000
2020-2024	-	9,615,000	-	2,970,000	60,785,000	38,725,000	112,095,000
2025-2029	-	2,035,000	22,500,000	-	81,000,000	9,165,000	114,700,000
2030-2033	-	-	-	-	74,000,000	-	74,000,000
Total	29,825,000	26,515,000	22,500,000	32,920,000	300,470,000	93,935,000	506,165,000

  

Interest	Bond Series						Total Interest Payable
	1996A	1996C	1998	2000	2003	2004	
2005	1,494,563	1,452,753	1,125,000	1,700,235	15,305,448	4,542,000	25,619,999
2006	1,321,838	1,429,958	1,125,000	1,610,860	15,293,448	4,539,700	25,320,804
2007	1,137,038	1,405,718	1,125,000	1,517,260	15,221,448	4,537,300	24,943,764
2008	939,322	1,398,613	1,125,000	1,447,570	15,025,636	4,527,300	24,463,441
2009	727,573	1,391,113	1,125,000	1,374,430	14,789,886	4,517,000	23,925,002
2010-2014	758,915	6,593,651	5,625,000	5,597,900	69,892,719	21,896,625	110,364,810
2015-2019	-	4,400,500	5,625,000	2,841,480	61,394,994	16,719,000	90,980,974
2020-2024	-	2,380,560	5,625,000	155,925	49,388,037	8,105,250	65,654,772
2025-2029	-	113,960	2,826,250	-	31,462,500	445,750	34,848,460
2030-2033	-	-	-	-	9,550,000	-	9,550,000
Total	6,379,249	20,566,826	25,326,250	16,245,660	297,324,116	69,829,925	435,672,026

  

Total	Bond Series						Total Payable
	1996A	1996C	1998	2000	2003	2004	
2005	5,169,563	1,937,753	1,125,000	3,075,235	15,905,448	4,657,000	31,869,999
2006	5,171,838	1,934,958	1,125,000	3,050,860	17,693,448	4,659,700	33,635,804
2007	5,172,038	1,550,718	1,125,000	3,032,260	19,646,448	5,037,300	35,563,764
2008	5,174,322	1,548,613	1,125,000	3,037,570	19,900,636	5,042,300	35,828,441
2009	5,172,573	1,551,113	1,125,000	3,044,430	19,894,886	5,042,000	35,830,002
2010-2014	10,343,915	11,953,651	5,625,000	15,312,900	99,372,719	36,526,625	179,134,810
2015-2019	-	12,460,500	5,625,000	15,486,480	99,194,994	46,359,000	179,125,974
2020-2024	-	11,995,560	5,625,000	3,125,925	110,173,037	46,830,250	177,749,772
2025-2029	-	2,148,960	25,326,250	-	112,462,500	9,610,750	149,548,460
2030-2032	-	-	-	-	83,550,000	-	83,550,000
Total	\$ 36,204,249	\$ 47,081,826	\$ 47,826,250	\$ 49,165,660	\$ 597,794,116	\$ 163,764,925	\$ 941,837,026

**ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY**

Notes to Financial Statements

December 31, 2004 and 2003

The Authority is in compliance with its bond covenants as of December 31, 2004 and 2003.

**Net Pension Obligation**

The net pension obligation, as explained further in note 8, is the Authority's obligation for full funding of its pension plan. This liability was \$704,822 and \$585,181, respectively, as of December 31, 2004 and 2003, and is a long-term liability to be funded over time.

**Compensated Absences**

The Authority's obligation to its employees for accrued vacation time totaled \$638,266 and \$669,698 as of December 31, 2004 and December 31, 2003, respectively. The estimated long-term portion as of December 31, 2004 and 2003 is based on historical data and totaled \$246,163 and \$192,249, respectively. The short-term portion as of December 31, 2004 and 2003 is estimated to be \$392,103 and \$477,449, respectively.

**Deferred Revenue**

A summary of the deferred revenue is as follows:

	2004		2003
Equipment usage fee	\$ 513,379	\$	713,379
Customer prepayments	4,596,116		3,160,625
	<u>5,109,495</u>		<u>3,874,004</u>
Less current portion	4,380,321		2,835,282
	<u>729,174</u>		<u>1,038,722</u>
Long term portion	\$ 729,174	\$	1,038,722

The Authority, under the terms of a food service contract, has granted a contractor exclusive rights to operate all food service areas, bars, refreshment stands and vending operations selling food, beverages and tobacco products. The contract required the contractor to pay an equipment usage fee of \$3 million. Also, under the terms of the contractual agreement, the contractor is entitled to a refund of the unamortized portion of the equipment usage fee in the event of termination of the contract. At December 2004 and 2003 the remaining equipment usage fee is \$513,379 and \$713,379, respectively, of which \$200,000 represents the current portion. For each of the years ended December 31, 2004 and 2003, equipment usage fee revenue was \$200,000.

The Authority requires facility users to prepay certain items (i.e., facility rental) as part of the rental agreement. As of December 31, 2004 and 2003, the Authority was in receipt of \$4,596,116 and \$3,160,625, respectively, that related to such prepaid items; of the \$4,596,116 as of December 31, 2004, \$4,180,321 was the current portion and of the \$3,160,625 as of December 31, 2003, \$2,635,282 was the current portion.

At December 31, 2004, the long term portion of deferred revenue is comprised of \$415,795 of facility rental payments and \$313,379 of equipment usage fee to total \$729,174. At December 31, 2003 the long term portion of deferred revenue is comprised of \$525,343 of facility rental payments and \$513,379 of equipment usage fee to total \$1,038,722.

**ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY**

Notes to Financial Statements

December 31, 2004 and 2003

**(6) Taxes**

The following summarizes tax receivables and revenue as of and for the year ended December 31, 2004:

	<u>Receivable</u>	<u>Revenue</u>
3% Hotel Occupancy Tax	\$ 3,937,012	23,647,659
State Economic Development	926,774	2,000,000
Hotel Occupancy Food		
Beverage Tax	2,404,197	13,383,324
Service Contractors		
and Tour Tax	435,116	1,692,355
RTA Tax	650,000	1,502,957
Collection fee		(723,724)
	<u>\$ 8,353,099</u>	<u>41,502,571</u>

The following summarizes tax receivables and revenue as of and for the year ended December 31, 2003:

	<u>Receivable</u>	<u>Revenue</u>
3% Hotel Occupancy Tax	\$ 3,088,730	18,292,591
State Economic Development		2,000,000
Hotel Occupancy Food		
Beverage Tax	2,295,097	12,873,940
Service Contractors		
and Tour Tax	352,086	1,804,060
RTA Tax	640,013	1,431,146
Collection fee		(575,267)
	<u>\$ 6,375,926</u>	<u>35,826,470</u>

**(7) Commissions**

Under the contractual agreements with vendors allowed to operate with the ENMCC-NO, the Authority receives various commissions. For the years ended December 31, 2004 and 2003, the Authority received \$3,741,860 and \$4,656,890, respectively, in commissions as follows:

	<u>2004</u>	<u>2003</u>
Food commissions	\$ 3,675,890	4,605,214
Business center	50,681	42,430
Other	15,289	9,246
Total	<u>\$ 3,741,860</u>	<u>4,656,890</u>

**ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY**

Notes to Financial Statements

December 31, 2004 and 2003

**(8) Pension Plan**

**Plan Description**

The New Orleans Public Facility Management, Inc. (NOPFM) is the administrator of a single employer defined benefit retirement plan (the Plan). The Ernest N. Morial New Orleans Exhibition Hall Authority has affiliated itself with the Plan. The Plan was established in accordance with Louisiana Revised Statute 12:207(9) for the purpose of providing retirement benefits for substantially all employees of NOPFM and the Authority.

All full-time employees over the age of twenty-one years and employed over six months as of January 1 of each year are eligible to participate in the Plan. Plan benefits vest after five years of credited service. Employees who retire at or after age 65 are entitled to a monthly benefit based on average compensation. The Plan also provides death and disability benefits. The benefit provision and all other requirements are established by the Plan.

An actuarial valuation was prepared as of January 1, 2004 and 2003 and the Plan had 400 and 422 fully vested, partially and nonvested active employees covered reported employees and 11 and 3 employees terminated, respectively, with deferred vested benefits, participating in the plan.

**Pension Benefits**

The normal retirement benefit is calculated at 2.5% of average compensation multiplied by years of service (not to exceed 25 years) less 50% of the entitled social security benefit under the Social Security Act in effect at retirement.

At retirement, the participant may choose a single lump sum payment, monthly installments, insurance or annuity policies or an annuity contract.

**Death Benefits**

If a vested participant dies, the surviving spouse or beneficiary is entitled to receive a benefit.

**Funding Status and Progress:**

The contribution requirement is determined annually by actuarial valuation. Contributions are made on a monthly basis as a percent of compensation.

**ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY**

Notes to Financial Statements

December 31, 2004 and 2003

**Annual Pension Cost and Net Pension Obligation:**

The Authority's annual pension cost and net pension obligation to the Plan for the current year were as follows:

	2004	2003
Annual required contribution	\$ 1,148,090	\$ 1,171,555
Interest on net pension obligation	42,426	30,475
Adjustment to annual required contribution	(56,925)	(40,889)
Annual pension cost	1,133,591	1,161,141
Less: contributions made	1,013,950	996,298
Change in net pension obligation	119,641	164,843
Net pension obligation beginning of year	585,181	420,338
Net pension obligation end of year	<u>\$ 704,822</u>	<u>\$ 585,181</u>

The annually required contribution for the current year was determined as part of the January 1, 2004 and 2003 actuarial valuation using the aggregate cost method. The actuarial assumptions for both years included a pre-retirement interest rate of 7.25% and a post-retirement rate of 7.0%. The salary increase assumption was 4.5% per year. For valuation purposes, assets were valued at market value. Under the aggregate actuarial method, there is not separate unfunded actuarial liability to be funded.

Year ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 1,053,240	93.20	\$ 420,338
2003	1,161,141	85.80	585,181
2004	1,148,090	89.45	704,822

The Entry Age Normal Cost Method was used to calculate funding requirements of the Plan. Certain actuarial assumptions are used to determine the actuarial accrued liability. There were no changes in actuarial assumptions or benefit assumptions that affected the valuation of the actuarial accrued liability as of the actuarial valuation performed as of January 1, 2004 and 2003. As of the January 1, 2004 and 2003 actuarial valuation, the recommended minimum contribution to the Plan for normal cost was \$1,107,927 and \$1,025,313, respectively. Contributions (cash basis) to the Plan during 2004 and 2003 totaled \$1,013,950 and \$996,298.

As of January 1, the actuarial accrued liabilities – entry age applicable to the Authority's current and terminated employees were calculated as follows:

	2004	2003
Vested accrued benefits	\$ 4,093,905	\$ 3,492,452
Non-vested benefits	4,436,133	3,564,668
Actuarial accrued liability	<u>\$ 8,530,038</u>	<u>\$ 7,057,120</u>

**ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY**

Notes to Financial Statements

December 31, 2004 and 2003

Historical Trend Information

The following information was available on the plan as of the last three valuation dates as of January 1:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net assets available for benefits as a percentage of the Actuarial Accrued Liability – Entry Age Normal	61.62%	57.93	60.86%
Unfunded Actuarial Accrued Liability – Entry Age Normal as a percentage of covered payroll	24.47	23.96	21.38
Contributions required as a percentage of covered payroll	9.19	9.37	9.27

**(9) Commitments and Contingencies**

**(a) Self-insurance**

For 2004 and 2003, the Authority is self-insured for hospitalization claims up to \$35,000 per employee. In 2004 and 2003, the aggregate for claims liability was \$1,800,000. The Authority has commercial insurance to cover any excess. The Authority has an external third party administrator to health insurance claims.

Changes in claims liability during the years ended December 31 were as follows:

	<u>Beginning of year liability</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>Balance at year end</u>
2002 \$	95,915	996,218	(984,352)	107,781
2003 \$	107,781	1,204,451	(1,210,288)	101,944
2004 \$	101,944	1,785,897	(1,742,591)	145,250

**(b) Contingencies – Phase IV**

In October 2003, Broadmoor, LLC filed suit against the Authority seeking to enjoin the issuance of a construction contract to the low bidder, Yates/Landis Joint Venture. The request for injunction was denied in the district court but granted by the Fourth Circuit Court of Appeals. The Supreme Court, in a 4-3 decision, affirmed the Fourth Circuit opinion, allowing the injunction to stand. In reaching its decision, the Supreme Court commented specifically that, "As it stands now, the Authority cannot waive any requirements contained in its bid requirements."



**ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY**

Notes to Financial Statements

December 31, 2004 and 2003

Based on this statement in the Supreme Court's judgment, the Board of Commissioners reviewed the remaining bids (those of Broadmoor, LLC and McDonnell/PCL Joint Venture) and determined that both bids deviated from the bidding requirements. As a result, the Board voted unanimously to reject the remaining bids and instructed staff to prepare a new set of bidding documents. Broadmoor petitioned the Court which instructed in May 2004 the Authority to award the contract to Broadmoor "with all attendant rights." The Authority appealed in November 2004. In February 2005, the Fourth Circuit Court of Appeal reaffirmed the trial court's ruling. The Authority did not seek writs reviewing the Fourth Circuit Court of Appeal ruling. On February 23, 2005, the Authority issued a notice of award to Broadmoor, LLC. On March 16, 2005, the Supreme Court denied the writ applications of McDonald/PLC Joint Venture and Yates/Landis Joint Venture. Broadmoor, LLC is claiming that the original bid price must be adjusted based on certain factors. The Authority's intention is to file a motion of declaratory judgment seeking the Courts authority to proceed with plans to construct Phase IV.

**(10) Summary of Changes in Deposits Due Others**

A summary of changes in deposits due others follows:

2004				
	Beginning Balance	Additions	Reductions	Ending Balance
Rouse Lease				
Clearing Fund	\$ 30,000	202,939	202,939	30,000
Venture Lease				
Escrow Fund	1,859	32	-	1,891
Cell Cite	926	24,735	19,374	6,287
Total	\$ 32,785	227,706	222,313	38,178
2003				
	Beginning Balance	Additions	Reductions	Ending Balance
Rouse Lease				
Clearing Fund	\$ 30,000	268,256	268,256	30,000
Venture Lease				
Escrow Fund	1,710	116,272	116,123	1,859
Cell Cite	-	926	-	926
Total	\$ 31,710	385,454	384,379	32,785

ERNEST N. MORIAL  
NEW ORLEANS EXHIBITION HALL AUTHORITY

Required Supplementary Information Under GASB Statement No. 25  
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date 12/31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of payroll
2004	\$4,845,559	\$7,863,015	\$3,017,456	61.62%	\$12,329,417	24.47%
2003	4,088,488	7,057,120	2,968,632	57.93%	12,392,502	23.96%
2002	3,779,300	6,209,609	2,430,309	60.86%	11,365,545	21.38%
2001	3,117,410	5,029,277	1,911,867	61.99%	9,265,165	20.64%
2000	2,507,665	4,796,410	2,288,745	52.28%	8,938,715	25.60%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contribution
12/31/2004	\$1,133,591	\$1,013,950	89.45%
12/31/2003	1,161,141	966,290	83.22%
12/31/2002	1,053,240	981,620	93.20%
12/31/2001	832,904	850,478	102.11%
12/31/2000	795,033	766,173	96.37%

See independent auditors' report.



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**CONFIDENTIAL**

March 14, 2005

Board of Commissioners  
Ernest N. Morial New Orleans Exhibition Hall Authority:

Dear Members of the Board:

We have audited the basic financial statements of the Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority) as of and for the year ended December 31, 2004, and have issued our report thereon dated March 14, 2005, except for note 9 which is dated March 16, 2005. In planning and performing our audit of the financial statements of the Authority, we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We have not considered internal control since the date of our report.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. We have identified no management letter comments on which to report herein.

This report is intended solely for the information and use of the Finance Committee, management of the Authority and federal awarding agencies and pass-through entities, such as the State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

Very truly yours,

*Postlethwaite & Netterville*

New Orleans, Louisiana  
March 14, 2005



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**Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance With  
Government Auditing Standards**

Board of Commissioners

Ernest N. Morial New Orleans Exhibition Hall Authority:

We have audited the basic financial statements of the Ernest N. Morial New Orleans Exhibition Hall Authority (the Authority) as of and for the year ended December 31, 2004, and have issued our report thereon dated March 14, 2005, except for note 9 which is dated March 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Finance Committee, management of the Authority and federal awarding agencies and pass-through entities, such as the State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

*Postkethwaite & Netterville*

New Orleans, Louisiana  
March 14, 2005

